

**UPPER MISSISSIPPI GAMING CORPORATION**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**

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# DIETZ, DONALD & COMPANY

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certified public accountants

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Upper Mississippi Gaming Corporation

We have audited the accompanying financial statements of Upper Mississippi Gaming Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Upper Mississippi Gaming Corporation as of June 30, 2016, and the changes in its net assets and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Eldora, Iowa

October 5, 2016

A handwritten signature in cursive script that reads "Dietz, Donald & Company".

Dietz, Donald and Company  
Certified Public Accountants

Exhibit A

UPPER MISSISSIPPI GAMING CORPORATION  
 STATEMENT OF FINANCIAL POSITION  
 June 30, 2016

ASSETS

Cash	\$ 91,498
Accounts receivable	50,050
Accrued management rights fee receivable	13,623
Prepaid expenses	1,543
Contract receivable	400,000
Equipment, less \$ 11,414 accumulated depreciation	1,346
Membership	<u>250</u>

TOTAL ASSETS \$ 558,310

LIABILITIES

Accounts payable	\$ 77
Accrued payroll	189
Accrued payroll taxes	610
Deferred revenue	<u>400,000</u>

TOTAL LIABILITIES 400,876

NET ASSETS - Unrestricted 157,434

TOTAL LIABILITIES AND NET ASSETS \$ 558,310

See notes to financial statements.

## Exhibit B

UPPER MISSISSIPPI GAMING CORPORATION  
 STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2016

## UNRESTRICTED NET ASSETS

Unrestricted revenues	
Management rights fees	\$ 185,616
Interest	254
Expense reimbursements	<u>10,789</u>
 TOTAL UNRESTRICTED REVENUES	 <u>196,659</u>
 Expenses	
Program services expense	
Grants	<u>121,879</u>
Supporting services expense	
Salaries	9,756
Payroll taxes	684
Telephone and internet	1,249
Licenses and fees	4,256
Supplies and postage	716
Travel	2,861
Subscriptions	241
Professional fees	2,724
Insurance	2,865
Meeting expense	959
Rent	3,900
Advertising	135
Miscellaneous	654
Depreciation	<u>726</u>
Total general and administrative expenses	<u>31,726</u>
 TOTAL EXPENSES	 <u>153,605</u>
 INCREASE IN UNRESTRICTED NET ASSETS	 43,054
 UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR	 <u>114,380</u>
 UNRESTRICTED NET ASSETS AT END OF YEAR	 <u>\$ 157,434</u>

See notes to financial statements.

UPPER MISSISSIPPI GAMING CORPORATION  
 STATEMENT OF CASH FLOWS  
 Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Revenue collected:	
Management rights fees	\$ 136,539
Interest	254
Expenses reimbursements	10,859
Payments for expenses	
Grants	(121,879)
General and administrative expenses	<u>(27,289)</u>
NET CASH USED IN OPERATING ACTIVITIES	(1,516)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of equipment	<u>(600)</u>
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NET DECREASE IN CASH (2,116)

CASH AT BEGINNING OF YEAR 93,614

CASH AT END OF YEAR \$ 91,498

RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH  
 USED BY OPERATING ACTIVITIES

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in unrestricted net assets	\$ 43,054
Adjustments to reconcile decrease in unrestricted net assets	
To net cash used by operating activities:	
Depreciation	726
Increase in accounts receivable	(46,030)
Decrease in management rights fees receivable	923
Decrease in prepaid expense	42
Increase in accounts payable	27
Decrease in accrued payroll	(118)
Decrease in accrued payroll taxes	<u>(140)</u>

NET CASH USED BY OPERATING ACTIVITIES \$ (1,516)

SUPPLEMENTAL DISCLOSURES

Noncash operating activities	
Facility furnished by excursion boat operator rent free	<u>\$ 3,900</u>

See notes to financial statements.

UPPER MISSISSIPPI GAMING CORPORATION  
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Upper Mississippi Gaming Corporation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had only unrestricted net assets in 2016.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code.

Nature of Activities

The Organization promotes social welfare and combats community deterioration in the Marquette, Iowa area by making grants to Section 501(c) organizations which will improve the area's economy and create and retain employment opportunities. The Organization is supported primarily through the holding of a gambling license under Iowa Code Chapter 99F. The Organization has entered into a management agreement, expiring June 10, 2044 with an excursion boat operator whereby the gaming operations are managed by the Operator. The Operator has agreed to pay the Organization fifty cents per ticketed passenger embarking on the boat through June 30, 2019. In addition the Operator will make annual payment due as follows:

July 31, 2016	\$ 50,000
July 31, 2017	100,000
July 31, 2018	100,000
July 31, 2019	200,000

Beginning July 1, 2019 and continuing through the expiration of the terms of the Agreement, a monthly amount equal to 3.25% of adjusted gross receipts (as defined in Section 99F.1(1) of the Iowa Code) will be paid monthly to the Organization.

For purposes of this Agreement "ticketed passenger" shall mean every person admitted during a calendar day on the excursion gaming boat, except necessary officials and employees of the Operator working on the boat.

The Operator agrees to pay for any required application fees, bonds, annual license fees, and audit and accounting services required by the Iowa Racing and Gaming Commission. The Operator also agrees to provide the Organization office space sufficient for storage of the Organization's records and for board of directors meetings.

For financial statement purposes, guaranteed payments due more than 12 months after the date of these financial statements are not recognized as revenue but are instead treated as deferred revenue.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise.

#### Donated Use of Property

The Organization began operating from facilities furnished by the Operator since June 1, 2008. In accordance with SFAS No. 116, the Organization has recorded expense reimbursement income and rental expense of \$ 3,900 based on the estimated fair market rental for twelve months.

#### Concentration of Revenues

The Organization received nearly 100% of its funding from the Lady Luck Marquette in connection with its holding of a gaming license.

#### NOTE B - SUBSEQUENT EVENTS

Subsequent events were evaluated through October 5, 2016, which is the date the financial statements were available to be issued.